

Advisory Board of Agriculture

Drought and Primary Production across South Australia

September 2007

Recommendations

The Advisory Board of Agriculture has considered feedback from Agricultural Bureau members and other intelligence and recommends the following support measures be considered for funding across regions of South Australia, in response to at least two years of extreme dry conditions.

1. **Audit of livestock** across South Australia to assist in development of policies and distribution of funding to support farming sector making decisions about livestock management, feed - particularly hay supplies and management to protect soils.
2. Provision of **technical extension services**, regionally specific, to provide an independent sounding board for discussion of options, assist in decision making and increase the rate of return to productivity.
3. **Drought Information Sessions**, regionally specific, to discuss options, share and build relationships, to assist in increasing the rate of return to productivity in the longer term.
4. Increased commitment to the **Mental Health support** programs being developed, to increase the capacity for community to access support and reduce long term impacts on community and health sector.
5. Specific series of **Financial Institutions Watch Forums** to outline current situation and options.
6. Reduce costs to attend **accredited training for farm businesses** within EC regions, to encourage continuation of formal learning.

Summary

The Advisory Board of Agriculture sought feedback from the Agricultural Bureau network relating to the management of farm businesses through drought and recommendations for assistance required into the future.

Farm businesses across the dryland farming regions of South Australia employed a range of strategies to assist them to cope with the drought in 2006/2007, generally reducing all forms of spending and/or utilising reserves such as farm management deposits; making early decisions to de-stock or confine feed livestock; and utilising information provided through workshops and information sessions.

With the continuation of drought conditions in 2007/2008, farm businesses are indicating a trend to continue with current strategies, particularly reducing spending further where possible; including staying at home more; seeking off farm income for members of the family; or seriously considering ceasing farming and selling their properties.

Support to youth, industry and community leaders is seen as critical as these individuals carry many of the pressures and stresses for themselves and others.

In the short term farm businesses are actively seeking more information at these critical times to assist in decision making for medium term recovery.

In the longer term, farm businesses encourage the continuation of research into viable alternatives; more support for education and uptake of risk management strategies; and consideration of greater support to farm businesses not accessing Exceptional Circumstances support, having services available to all businesses, not just those in difficulty.

Background

A large portion of the South Australian dryland farming regions suffered from severe drought conditions in 2006/2007. For some regions it was the first time these circumstances had been experienced, for others, it was a follow on from financial drought in 2005/2006 and drought in 2004/2005.

History

Significant impacts on viability in management of the 2007/2008 growing season have included:

- Long range forecasting predictions being using as part of farm decision making, where average or higher rainfall was predicted, not now being realised;
- Financial advisors and Banks advising businesses forward sell grain to allow businesses to borrow money to plant crops for 2007/2008 season, now being washed out and farm businesses incurring additional commitment to pay costs, up to \$500k or more;
- Regions not having fertilizer supplies available until late May, past optimum time to include in seeding practices, coupled with prices increases, double the cost of the previous year;
- Financial institutions recommending higher stock numbers with a minimum stock mortgage of \$50k to purchase. De-stocking in current conditions with limited paddock feed and the high price of hay and grain and stock prices dramatically lower than purchase prices;
- Farm businesses now cashing in superannuation funds to keep family on the farm, leaving the family exposed in the longer term to the loss of financial independence and the resources for generational transfer.

Conditions for the 2007/2008 season have now deteriorated significantly and there are regions of the State already suffering from complete crop failure.

In addition to dryland drought, the State is also grappling with the affects of serious water shortages in the River Murray and the effect this will and is already having on irrigated industries.

Current Support

The State and Commonwealth Government are investing in a range of programs to assist industries and community to cope and survive.

Assistance is available through:

1. Exception Circumstances
 - Interest Rate Subsidies
 - Family Support payments
 - Professional Planning and Advice grants (EC areas greater than 3 years)
2. Planning for Recovery (interest rate subsidy approved businesses)
 - Business planning and implementation grants
3. Community grants
4. Regional Health support programs

Current Strategies

The Advisory Board of Agriculture acknowledges the value of these current programs and support mechanisms and encourages their continuation.

To assist in identifying current strategies and future requirements to assist farm businesses through these circumstances, the Advisory Board of Agriculture sought input from the Agricultural Bureau network.

1. Strategies employed to manage the 2006/2007 drought.
 - Early decisions – farm businesses made decisions early in preparation for emerging dry conditions. This revolved around livestock management practices including removing stock from paddock, either into confined feeding or selling. Where stock were maintained, feed was either purchased or stores already held were utilised.
 - Reduced expenditure – farm businesses made decisions to reduce expenditure on capital (eg. plant and equipment), operational (fertiliser and feed) and personal requirements.
 - Farm Management Deposits – farm businesses that had managed potential risks through establishment of FMDs have been consuming them, on the understanding that they would only assist for one year.
 - Forward selling contracts – farm businesses have made decisions to “wash out” contracts to reduce overall potential loss.
Farm businesses have come from an environment of single desk marketing on their behalf and have received poor advice from commercial grain marketers since deregulation.
 - Information sessions / workshops – farm businesses have gained from attendance at sessions providing technical including fertiliser management and livestock management. Practical useful information has been provided, assisting with decision making.

2. Strategies where conditions continue in 2007/2008.
 - Off farm income – farm businesses have sought off-farm income. This has included longer term decisions where members of the family have moved into employment within the mining industry. Female partners have more actively sought part or full time paid positions within the local community. This has been made difficult where small businesses are also suffering and reducing staff numbers, not employing. This will impact on the agricultural industries ability to recover.
 - Successioning – farm businesses are now making longer term decisions about their continuation in the industry. This includes potentially selling the property or leasing and seeking employment until conditions improve.
 - Reduced spending – farm businesses having already reduced spending in 2006/2007 are looking at ways to reduce spending even further to carry over for another year.

Support Proposals

1. Audit of Livestock

An immediate audit of livestock numbers and management practices across South Australia to assist in development of policies and distribution of funding to support the farming sector making decisions about livestock management, feed - particularly hay supplies and management to protect soils.

Justification

Livestock are a critical element of many dryland farming systems and their management on farm has significant impacts on sustainability and viability of businesses.

An assessment of livestock will provide valuable information on:

- Numbers and locations – to sell, to buy, breeding stock for recovery
- Fodder reserves required – where and what and where from and amount required to sustain numbers
- Fodder reserves available – where, what, how much, potential price
- Water requirements for stock held
- Plans to confine feed – management to reduce erosion risk potential and management of weed risk from imported hay
- Long term plans to restock

This information will add valuable data to understand potential risks to soils, native vegetation and potential weed risks.

Long Term Value

Assessment undertaken now will greatly assist targeting information and management, increasing the rate of return to productive systems, while reducing the potential impact on natural resources.

Links to State Strategic Plan

T1.1 Economic Growth

T3.1 Lose No Species

T3.3 Soil Protection

Links to State NRM Plan

1.4.1 Protect areas of productive agricultural land

3.4.3 Implement and where necessary develop programs to increase awareness and understanding of the risks to natural resources and the need for sustainable NRM.

2. Provision of Technical Extension Services

Provision of technical extension services, regionally specific, at no cost to the farm businesses.

The technical extension officers would provide an independent sounding board for individual farm businesses to discuss options and assist in decision making. They may act as a resource to source additional specific information.

Justification

Farm business managers are struggling with decision making processes due to stress and exposure to overwhelming circumstances and the extension officers provide an opportunity for *independent assistance* in sourcing information and incorporating it into their decision making.

These services are now available at cost through agribusinesses and consultancies but these are subject to commercial influences and in these difficult financial times, have become cost prohibitive at a time when they are most critical. In addition, the information may be commercially biased and not offer a full range of options.

Long Term Value

Good, independent advice now will increase the long term viability and sustainability of farm businesses and the primary industries sector as a whole.

Information provided now that assists with early decision making, will increase the rate of return to productivity, decreasing the long term impact and need for support in the future.

Provision of expertise and decisions made through this expertise will assist in maintaining strong viable regional communities and reducing the pressure on government services into the future.

Securing productive rural primary industries now will assist in improving the rate of growth of production and economic return for the future.

Links to State Strategic Plan

T1.14 Total Exports

T3.3 Soil Protection

T5.9 Regional Population Levels

Links to State NRM Plan

2.1.4 Develop and promote a range of tools for sustainable land management that suit the range of agribusinesses in South Australia, from family-run farms to large, vertically integrated industries.

2.1.10 Develop and strengthen existing links b/w sustainable production groups, government and NRM boards

2.2.2 Promote and further refine systems, types and intensities of land use that are compatible with land capability.

3.1.4 Develop, promote and fund capacity building programs

3. Drought Information Sessions

A series of Drought Information Sessions designed and targeted specifically to suit regional conditions and priorities.

Through negotiation with local farm business representatives, these sessions would present information on options to manage through to season break in 2008 and facilitate the sharing of ideas. The information sessions will also provide a valuable opportunity to discuss health and well being issues for families and individuals and strengthen community relationships.

These sessions are urgent for some regions, ideally early to mid Oct before harvest commences, particularly as some farmers are already having to prepare Business Plans for financial institutions to get carry on finance, so need help with decision making ASAP

Information Sessions specifically targeted at businesses / agencies that support farm businesses would also assist. These would provide information on the realities of the current situation and develop skills to assist them in working with farm businesses into the future.

Justification

Farm business managers are currently facing circumstances not experienced previously. These sessions will provide some of the critical information to assist them to make informed decisions about livestock management, harvest, land management and financial management.

Farm business managers are already stressed and opportunities to share and learn through connection with health and well being expertise and local community in similar circumstances will reduce the impacts and affects.

Long Term Value

Information provided to farm businesses now, will significantly improve their ability to make informed decisions about ongoing management of their business and assist in increasing the rate of return to productivity in the longer term.

Links to State Strategic Plan

T1.14 Total Exports

T3.3 Soil Protection

Links to State NRM Plan

2.1.4 Develop and promote a range of tools for sustainable land management that suit the range of agribusinesses in South Australia, from family-run farms to large, vertically integrated industries.

2.1.10 Develop and strengthen existing links b/w sustainable production groups, government and NRM boards

3.1.4 Develop, promote and fund capacity building programs

3.1.8 Support the development of new skills.

3.4.3 Implement and where necessary develop programs to increase awareness and understanding of the risks to natural resources and the need for sustainable NRM.

4. Country Health Support

Expansion of Health and Well Being Programs to ensure adequate support is provided to individuals and communities across the state.

a. Rural Counsellors

Currently eight Rural Health Counsellors are being engaged to work across the rural areas of South Australia. Expansion of this program to include more locations over a longer period of time will make access to services easier with an increase in outcomes. This will include support for small businesses in rural communities.

b. Farmer Peer Support Network

The network of local supporters will increase contact and referrals for advice, reducing the extent and length of impacts on mental health. Local network development will be increased with adequate allocation of funding resources to acknowledge and recognise commitment of time and resources to take on the roles.

Justification

Individuals are reluctant to seek assistance when stress is impacting on life and lifestyle. This can lead to long term impacts on individuals, families and communities if not managed early. Expansion of the current programs will facilitate a closer connection through non threatening environments, increasing the numbers accessing assistance.

Long Term Value

Early intervention is a proven method of reducing long term impacts on mental health of individuals, families and communities.

Reduction in long term impacts will reduce the long term burden on government health services.

Links to State Strategic Plan

T2.12 Work-life Balance

T2.7 Psychological Wellbeing

Links to State NRM Plan

3.4.5 Identify and provide support to overcome financial, social and other barriers to the adoption of more sustainable practices by landholders and industry sectors.

5. Financial Institutions Watch Forums

A series of regionally facilitated Financial Institutions Watch Forums to outline current situation farm businesses are facing and options to reduce and manage the impacts.

The Forums would include representation from financial institutions, agents, financial advisers and farm businesses establishing an overview of the current regional / district situation.

Representatives would then form a panel to discuss current situations and recommended approaches.

Justification

Farm businesses are encouraged to seek alternative methods for managing business finances and have entered into a range of contracts and mortgages. These now have the potential to place farm businesses in an unviable position requiring expert advice on how to manage through it.

In future years, farm businesses will need to continually improve their skill base to better manage these opportunities and risks and these forums will assist farm businesses to make informed decisions.

Long Term Value

Improved skill development will assist farm businesses through the immediate critical decision making process and increase the level of sound business decision making into the future.

Assist in the development of viable primary industries, contributing significantly to the economic prosperity of rural communities, contributing to the States prosperity.

Links to State NRM Plan

3.1.1 Support ongoing learning and education particularly in landscape and ecosystem management, project management, business planning and strategic thinking.

3.1.4 Develop, promote and fund capacity building programs

3.4.5 Identify and provide support to overcome financial, social and other barriers to the adoption of more sustainable practices by landholders and industry sectors.

6. Accredited Training Support

Provision of higher levels of financial assistance to all farm businesses within EC regions to encourage them to continue to access formal training programs.

Justification

Farm businesses are already under emotional and financial stress due to at least a second year of drought conditions. Some training programs are also a legal requirement under OHS&W laws, eg. Chemical reaccreditation. It is imperative for businesses to continue to develop skills to improve long term business management, but this will not be a high priority for expenditure during these times.

Long Term Value

Continuation of long term learning will assist in ensuring the rate of uptake of improved farm business management practices continues, maintaining the increase in sustainability and viability of primary industries.

Links to State Strategic Plan

T4.7 Business Innovation

T6.21 VET Participation

Links to State NRM Plan

3.1.1 Support ongoing learning and education particularly in landscape and ecosystem management, project management, business planning and strategic thinking

3.1.4 Develop, promote and fund capacity building programs

3.1.8 Support the development of new skills.

Long Term

The Advisory Board also recognises that there are ongoing long term programs that are essential to ensuring the continuation of farm businesses ability to manage sustainably and maintain viability.

Priority consideration is required into:

- Research – continued informed research is critical to longer term sustainability of farm businesses. This is important when considering long term implications of increasing climate variability.
- Risk Management – Assistance to farm businesses in developing risk management strategies to reduce and manage the impact of future adverse events, eg. Confined feeding. This could include lesson learned from less reliable areas and regional calendars to determine critical decision times and appropriate actions.
- Equity in support – ensuring that Programs in the future provide support to a broader range of farm businesses and reducing the perception of only supporting businesses in trouble, not supporting good business managers.
- Tax incentives – consider options to reduce tax burdens through adverse events and longer term, including reduction in stamp duty.